

**MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY**

**Modification No. 1
to the
Southeast Minneapolis Industrial
(SEMI) Area Phase 4
Tax Increment Finance (TIF) Plan
(Metal Coatings/Lewis Nut and Bolt TIF No.
78)
April 4, 2003**

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**Southeast Minneapolis Industrial (SEMI) Area
Phase 4 Tax Increment Finance (TIF) Plan
(Metal Coatings/Lewis Nut and Bolt TIF No. 78)**

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Introduction

On November 22, 2002, by Resolution No. 2002R-434, the Minneapolis City Council approved special state legislation (Session Laws 2002, Chapter 377, Article 7, Section 10, see attached Exhibit A) permitting the maximum duration of the SEMI Phase 4 TIF District (No. 78) to be extended by up to six years, and authorized the Minneapolis City Clerk to submit the appropriate certification documentation to state officials as required by state law. This Modification has been prepared in order to modify the SEMI Phase 4 TIF Plan to implement such extension.

The SEMI Phase 4 TIF Plan originally authorized the creation of a new economic development tax increment financing district within the boundaries of the SEMI Redevelopment Project Area, in order to facilitate the industrial redevelopment of the Metal Coatings/Lewis Nut & Bolt site. Construction of a 143,000 square foot light industrial building was completed in 1997.

The project involved a property whose owner (Lewis Nut & Bolt Co.) had left the state and tax-forfeited the property, abandoning one of the worst pollution sites seen in years. Redevelopment involved acquisition from Hennepin County, removal of toxic wastes, remediation, and construction of a light industrial building.

Property tax reform enacted in 2001 adversely affected the amount of annual tax increment generated by the new development. This annual tax increment is committed to repay a \$1.0 million tax increment pay-as-you-go TIF note issued to the developer for the public costs of the project. While the district was not unique in being hurt by the 2001 tax law changes, it was unusual in that an economic development TIF district funded this redevelopment project. Typically, such projects would have been eligible for inclusion in a redevelopment TIF district that would have permitted up to 26 years of tax increment collection. Economic development districts are generally permitted only nine years of tax increment collection. Consequently, this TIF district did not have the additional years that could provide a "cushion" to make up for the lost tax increment caused by property tax reform.

This argument, along with the clear public benefit of removal of an abandoned hazardous waste site in the middle of a major industrial redevelopment area, convinced the State Legislature to allow up to six additional years of tax increment to be collected from the TIF district to help retire the original tax increment note.

- I. **Tax Increment District Boundary** (No Change)
- II. **Statement of Objectives** (No Change)
- III. **Development Program** (No Change)
- IV. **Description of Financing (Sections Changed Below)**

A. Project Costs (Changed)

The tax increment financing budget for the TIF district is as follows:

<u>Sources</u>	<u>Up-Front</u>	<u>Over Time</u>
Developer Funds	\$1,000,000	---
Tax Increment	---	<u>2,200,000</u>
Total Sources	\$1,000,000	\$2,200,000

<u>Uses</u>		
Site Preparation	\$1,000,000	---
Pay-As-You-Go Note Principal	---	\$1,000,000
Pay-As-You-Go Note Interest	---	980,000
Administration	---	<u>220,000</u>
Total Uses	\$1,000,000	\$2,200,000

- B. Bonded Indebtedness to be Incurred (No Change)
- C. Sources of Revenue (No Change)
- D. Original Net Tax Capacity (No Change)
- E. Estimated Captured Net Tax Capacity at Completion (No Change)

F. Duration of District (Changed)

Originally, tax increment could be collected from the TIF district for the lesser of nine years from receipt of the first tax increment collected, or 11 years from approval of the TIF plan. Under these original rules the TIF district's maximum duration was through the year 2007.

Subject to the provision and restrictions imposed by the special legislation (see Exhibit A), the TIF district's maximum duration is now 2013 (six additional years).

- G. Fiscal Disparities Election (No Change)

H. Original Tax Capacity Rate (No Change)

I. Permit Activity and Prior Planned Improvements (No Change)

V. Type of Tax Increment Financing District (No Change)

VI. Estimated Impact on Other Taxing Jurisdictions (Added)

The following table provides an update of the impact on property taxes if the captured net tax capacity (NTC) of the TIF district (for taxes payable in 2003) were hypothetically available to the various taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>Tax Rate</u>	<u>Taxes Generated by Captured NTC of \$124,060 (Pay 2003)</u>
City of Minneapolis	63.883%	\$79,253
Hennepin County	44.832	55,619
Special School District No. 1	33.555	41,628
Other	<u>10.737</u>	<u>13,320</u>
Total	153.007%	\$189,820

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance (No Change)

VIII. Modifications to Tax Increment Finance Plans (No Change)

Exhibit A

Session Laws 2002, Chapter 377, Article 7, Section 10

Sec. 10. [CITY OF MINNEAPOLIS TAX INCREMENT DISTRICT; DURATION EXTENSION.] (a) Upon approval of the city council of the city of Minneapolis, the Minneapolis community development agency may, with respect to the southeast Minneapolis industrial area redevelopment area phase 4 tax increment financing district, notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, extend the duration of the district for a period of up to six years. (b) The amount of additional increment which may be paid to the district as a result of this section may not exceed: (1) the increment that would have been collected if the class rate changes and elimination of the state-determined general education property tax levy had not been made under Laws 2001, First Special Session chapter 5, for the term of the district under general law and if the provisions of section 4 did not apply, less (2) the actual increments collected for the term of the district under general law. (c) Notwithstanding any law to the contrary, effective upon approval of this section, no increments may be spent on activities located outside of the area of the district, other than to pay administrative expenses. (d) Upon payment in full of the Minneapolis community development agency amended and restated tax increment revenue note, in the original face amount of \$1,000,000, issued December 4, 1997, the district terminates and the authority granted under this section terminates. (e) This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021.